

Eurasian Core Nations Cooperate To Meet Growing Energy Needs

by Mary Burdman

The core Eurasian nations, Russia, China, India, and Iran, have been rapidly expanding their cooperation on ensuring vital energy supplies. India, Iran, and Russia are already in advanced discussion of oil and gas development and supply deals; India and China are now proposing mutual cooperation rather than competition for energy supplies. Both nations are rapidly increasing their energy consumption: after the United States, China is now the world's second-largest oil consumer, followed by Russia and then India. Chinese oil imports rose by about one-third in 2004, and India's by 11%.

Indian Natural Gas and Petroleum Minister Mani Shankar Aiyar was especially active in February. India now has to import some 70% of its petroleum supplies, and rising prices, and the chaotic situation in parts of Southwest Asia, put India's economy and 1 billion population at risk. At a Houston teleconference to promote prospective Indian oil-fields on Feb. 1, Aiyar said, after discussions with officials of China's National Petroleum Company (CNPC), that India wants to set up a mechanism for cooperation with China on oil projects.

India and Iran have been discussing building a pipeline, through Pakistan, for some time. Political tensions between Pakistan and India have held up any progress on the project; but in January, India and Iran signed an agreement for Iran to sell 7.5 million tons of liquid natural gas (LNG) to India annually, for 25 years. India will also participate in developing Iranian oil fields.

Whether these negotiations will result in a more permanent agreement to solve the "crisis" in oil and other strategic raw materials supplies, remains to be seen. Lyndon LaRouche, in his Dec. 19, 2004 report, the "Earth's Next Fifty Years"; and his statements to the *EIR*-sponsored conference in Berlin Jan. 12-13; urged creation of a long-term agreement among sovereign nations, for the international management of raw materials supplies and prices, in the best interests of those nations and their populations. These vital resources *must* be taken out of the control of the private cartels which are using "raw-materials as loot," which is "the leading feature of the world's monetary-financial oligarchy's zeal today," LaRouche warned. This "must be checked by a concerted regulation of this matter among sovereign nation-states."

In leading circles in Moscow, the importance to China and India of secure energy supplies for the future, is certainly understood—as well as the power this gives to Russia in Eurasia. At the same time, Russia certainly needs both economic and security cooperation with China and India. The perspective being put forward by Petroleum Minister Aiyar has real potential, if the nations involved are willing to grasp the nettle of dealing with the raw materials cartels, and the reality of the bankrupt world financial system.

Joint Strategies

On Feb. 2, Aiyar said that India wants a joint strategy with China to bid for foreign oil projects, and avoid costly competition. The two nations can cooperate and set up joint ventures rather than competing, he said. Aiyar has set up a task force to identify areas where the two countries can cooperate in oil and gas projects, to be headed by Additional Secretary Talmiz Ahmed. "We are always pitted against each other to the advantage, almost always, of the third country," Aiyar said. "Perhaps we could set up some form of a mechanism of mutual consultation regarding third-country properties; and thereafter, in some cases bid against each other, in some cases bid together."

This idea was apparently first discussed at the Jan. 6 Round Table of Asian oil consumers and producers held in New Delhi, and initiated by China's National Development and Reform Commission Vice-Chairman Zhang Xiaoqiang, according to Indian press reports. "We are mooting an arrangement for cooperation and better exchange of information in order to develop a common approach for these scarce assets," the *Hindustan Times* quoted Petroleum Secretary S.C. Tripathi.

Aiyar, at the invitation of the Chinese Energy Ministry, is planning a "major visit" to China later this year, to develop a joint strategy on petroleum development. China and India have been bidding against each other in Sudan, Angola, Myanmar, and other areas. Potentially, they could cooperate on investments inside Russia.

Also on Feb. 2, Russian Finance Minister Alexei Kudrin announced from Moscow that a group of Chinese banks advanced a payment of \$6 billion via Russia's Vnesheconombank, to the Russian oil firm Rosneft, in order to finance

the purchase of 50 million tons of Russian oil over the next five years. The Chinese oil purchase is timely for Rosneft, coming when that entity is involved in the purchase of Yuganskneftegaz, a core production unit of the Yukos oil company, which was put up for auction in December. Rosneft paid \$9.4 billion to acquire Yuganskneftegaz, after it purchased Baikalfinansgroup, a new company that unexpectedly won the bid for Yuganskneftegaz. Yuganskneftegaz produces 60% of Yukos' output.

Both sides were emphatic, however, that the Chinese funds were not involved in the controversial purchase of Yuganskneftegaz. Rosneft announced that the \$6 billion was not connected with its purchase, and the Chinese side stressed that these funds were not loans. This was to ensure that there would be no involvement in the controversy over the steps taken by the government of Russian President Putin to put Yukos under control of oil companies loyal to Moscow, at the end of 2003. Some U.S. courts have decided that they have the power to contest this matter, although this power is certainly not recognized in Russia.

North-South Energy Corridor

Three weeks later, Petroleum Minister Aiyar went to Kazakhstan and Russia, to discuss developing relations in the oil and gas sectors. From New Delhi, Petroleum Secretary Tripathi laid out India's Central Asian oil strategy. "Kazakhstan is an important country from the hydrocarbon resources point of view," Tripathi said. "But the problem is, how do we access these? We can access oil from the Russian and Caspian region by bringing it to Iranian ports, while China provides a ready market for downstream products and petrochemicals," *The Financial Express* quoted him on Feb. 19.

In Astana, Kazakhstan on Feb. 18-19 for the meeting of the Kazak-Indian intergovernmental commission, Aiyar called oil and gas cooperation "the most significant area" for strengthening joint economic relations" between India and Kazakhstan. India is seeking stakes in four Kazakstan oilfields; and GAIL, the Indian gas transporter that was formerly the Gas Authority of India, reportedly wants to participate in building pipelines from Kazakhstan to China. It has proposed setting up gas processing and petrochemical plants at Atyrau and Akhtau. Earlier in February, GAIL formed a joint venture with China Gas Holdings Ltd, to invest in natural gas projects in China, including urban gas networks and long-distance pipelines. China wants to promote use of gas to reduce its reliance on coal.

India and Kazakhstan discussed expanding the North-South Transport Corridor project, to "ensure the free movement of goods, including oil and gas, from the shores of Finland to the states of the Pacific region," Kazak television reported from Almaty on Feb. 18. Aiyar made the point, that the North-South Corridor—a project to expand transport infrastructure from northeastern Russia to the Caspian Sea, to

Iran and India—should also be seen as an energy corridor, with oil and gas pipelines that link up with the pipelines in South Asia and bring energy resources to India, and then move on to Southeast Asia. The energy and transport Corridor will bind Asia with Europe in a substantial, mutually beneficial connection, Aiyar said. "India will be an active partner in this ambitious endeavor. Together, we must exert every effort to bring investments into the project from the European Union and ASEAN, in addition, of course, to interesting our partners, Iran and the Russian Federation, to make their vital contribution to the development of Aktau as a major entrepôt centre on the North-South corridor."

Partners with Russia

By Feb. 21, Aiyar was in Russia for his second visit in four months. He likened Russian support for India's energy security, to the former Soviet Union's political and military commitment to India, and confirmed that India is ready to invest billions of dollars worth in Russian energy projects, *Novosti* reported Feb. 22. "Our single most important strategic ally in the energy sector is Russia, because their supply position is as strong as our demand position. Russia's strength is its energy supply and our strength is our energy demand—we are obvious partners," Aiyar said in Moscow.

The Indian minister met with Russian Vice Premier Alexander Zhukov, who greeted India as "a strategic partner, particularly in energy cooperation." Aiyar also met with Rosneft head Sergei Bogdanchikov, Gazprom head Alexei Miller, and Russian Industry and Energy Minister Viktor Khristenko. Aiyar told Khristenko about the January Asian oil Round Table, and proposed a similar meeting of oil suppliers Russia, Kazakhstan, Turkmenistan, and Azerbaijan, with oil buyers India, China, Japan, and South Korea.

India wants Russian investment in Indian energy projects, and is itself possibly interested in buying a stake in Yuganskneftegaz. Aiyar had put out an official statement in January on the proposal, and told the press on Feb. 22 that the matter had been discussed in Moscow. He was cautious about the legal issues, however.

India's Oil and Natural Gas Corporation (ONGC), its largest oil exploration enterprise, already has a stake in Russia's Sakhalin-1 project, and is interested in more. ONGC Videsh, its external division, signed a memorandum of understanding with Russia's Gazprom, for the two sides to assess possible joint participation in oil and gas projects in Russia, India, and third countries, and in transporting and selling oil and gas in India and third countries. Gazprom already has a "strategic alliance" with GAIL, but that has been concentrated on energy resources inside Russia.

The ground is being laid for cooperation on vital raw materials; now, nations must take up the fundamental issue, of putting together a world financial system which can ensure the long-term investment to make these agreements work.